

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 COME-00 EB-11 CIAE-00 INR-10 NSAE-00

RSC-01 AID-20 TRSE-00 IGA-02 OMB-01 RSR-01 /059 W

----- 071718

R 301330 Z MAR 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3474

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 3667

PASS COMMERCE

E. O. 11652: N/ A

TAGS: ETRA IN

SUBJECT: STATE TRADING CORPORATION (STC) PROCUREMENT POLICIES

REF: A) STATE 52234; B) NEW DELHI 3574

1. SUMMARY. THE COMMERCIAL COUNSELOR CALLED UPON THE STC ON BEHALF OF ABBOTT LABORATORIES. THE FOLLOWING MESSAGE DESCRIBES THE ENSURING CONVERSATION IN DETAIL BECAUSE IT PROVIDES A COMPREHENSIVE DESCRIPTION OF THE STC PROCUREMENT POLICIES AND SHOULD THEREFORE BE OF PARTICULAR INTEREST AND CONCERN TO DEPARTMENTS OF COMMERCE AND STATE OFFICIALS ENGAGED IN THE PROMOTION OF US EXPORTS TO INDIA. ACTION REQUESTED: NONE. END SUMMARY.

2. ON MARCH 29, THE COMMERCIAL COUNSELOR VISITED THE STATE TRADING CORPORATION OF INDIA LTD. (STC) ON BEHALF OF ABBOTT LABORATORIES AND MET WITH M N MISRA, EXECUTIVE DIRECTOR, STC.

3. THE VISIT WAS UNDERTAKEN AT THE REQUEST OF BERNARD SEMLER, VICE PRESIDENT FOR FOREIGN OPERATIONS, ABBOTT

LABORATORIES. SEMLER AND SEVERAL OF HIS ASSOCIATES HAD VISITED THE STC EARLIER IN THE DAY TO DISCUSS POSSIBILITIES OF RESUMING THE SALE OF DRUG RAW MATERIALS FROM ABBOTT LABORATORIES, CHICAGO, UNCLASSIFIED

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TO THEIR INDIAN SUBSIDIARY ABBOTT LABORATORIES (INDIA) PVT LTD., BOMBAY. THESE SALES WERE DISCONTINUED WHEN THE STC WAS AUTHORIZED IN 1971 TO CANALISE ALL INDIAN IMPORTS OF DRUG RAW MATERIALS. SINCE LATE 1971 THE STC HAS BEEN OBTAINING DRUG RAW MATERIALS FROM POLAND. SEMLER AND HIS ASSOCIATES WERE INFORMED THE STC COULD NOT OR WOULD NOT CHANGE ITS IMPORT POLICY.

4. THE COMMERCIAL COUNSELOR REQUESTED MISRA TO CLARIFY THE STC POLICY, POINTING OUT THAT THE EMBASSY WAS UNEASY AND DISTURBED AT WHAT COULD PERHAPS BE REGARDED AS DISCRIMINATION AGAINST US EXPORTS TO INDIA. THE COMMERCIAL COUNSELOR ALSO POINTED OUT THAT THE USA HAD AN ADVERSE BALANCE OF TRADE WITH INDIA OF OVER DOLS70 MILLION IN 1972 ALONE.

5. MISRA APPRECIATED THE EMBASSY' S INTEREST IN THE ABBOTT LABORATORIES PROBLEM. HE EXPLAINED THAT THE STC HAD NO RPT NO ALTERNATIVE BUT TO FOLLOW THE SPECIFIC AND VERY CLEAR IMPORT PROCUREMENT GUIDELINES LAID DOWN BY THE GOI. THESE WERE DESCRIBED IN THE FOLLOWING TERMS. ON ALL MAJOR PURCHASES FROM ABROAD THE STC WAS AUTHORIZED TO MAKE INQUIRIES FROM EXPORT MARKETS EITHER DIRECTLY THROUGH FOREIGN EXPORTERS, INDIRECTLY THROUGH THE FACILITIES OF INDIAN DIPLOMATIC MISSIONS ABROAD, OR BY INVITING TENDERS, OR THROUGH ANY OTHER MEANS DEEMED MOST APPROPRIATE OR EFFICIENT BY THE STC.

6. PRICE AND QUALITY FACTORS WERE TO BE TAKEN INTO CONSIDERATION. ONCE THESE AND ANY OTHER PERTINENT FACTORS WERE TAKEN INTO ACCOUNT THE STC WAS INSTRUCTED TO GIVE FIRST PRIORITY TO ANY IMPORT PURCHASES THAT COULD BE MADE UNDER EXISTING CREDIT ARRANGEMENTS WITH IBRD, IDA, CANADIAN, BRITISH, WEST GERMAN, JAPANESE, AMERICAN OR OTHER LONG- TERM EASY PAYMENT CREDIT TERMS PROVIDED UNDER BILATERAL AID OR SIMILAR AGREEMENTS. IF UNABLE TO PROCURE UNDER THE ABOVE, THE STC WAS TO ACCORD SECOND PRIORITY TO EASTERN EUROPEAN OR OTHER COUNTRIES WILLING TO ACCEPT RUPEE PAYMENTS. STC PURCHASES INVOLVING THE USE OF GOI FREE FOREIGN EXCHANGE WOULD BE MADE ONLY AS A LAST RESORT IF NEITHER OF THE TWO HIGHER PRIORITY SOURCES COULD SUPPLY THE IMPORTS. IN THE LATTER CASE THE USA WAS GIVEN EQUAL CONSIDERATION WITH ALL TOER WORLD MARKETS.

7. RECOGNIZING THE COMMERCIAL COUNSELOR' S DISAPPOINTMENT, MISRA ADDED THAT HE WOULD BE PLEASED TO GIVE ABBOTT LABORATORIES UNCLASSIFIED

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EVERY POSSIBLE CONSIDERATION IF ABBOTT LABORATORIES COULD PRESENT

A SPECIFIC BARTER TRADE TYPE OF PROPOSAL IN WHICH ABBOTT LABORATORIES WOULD GUARANTEE EXPORTS FROM INDIA (TO THE USA OR ANY OTHER MARKET) TO BALANCE ITS SHIPMENT OF DRUG RAW MATERIAL FROM THE USA TO ITS INDIAN SUBSIDIARY. THE COMMERCIAL COUNSELOR POINTED OUT THAT IT MAY NOT BE FEASIBLE OR PRACTICAL FOR ABBOTT LABORATORIES TO EXPORT ITS OWN PRODUCTS FROM INDIA TO OTHER MARKETS FOR A VARIETY OF LEGITIMATE COST OF PRODUCTION, TAXATION OR OTHER FACTORS.

8. MISRA CONCEDED THAT POSSIBILITY, ALTHOUGH HE WAS INCLINED TO QUESTION ITS VALIDITY, AND ADDED THAT A BARTER- TYPE TRANSACTION COULD STILL BE CONSIDERED IF ABBOTT LABORATORIES COULD SUBSTITUTE OTHER NON- TRADITIONAL INDIAN EXPORTS (EXCLUDING, I. E. JUTE, CASHEW NUTS, MICA, SHRIMP) AS A MEANS FOR EARNING THE INDIAN FOREIGN EXCHANGE REQUIRED TO PAY FOR ABBOTT LABORATORIES (INDIA) PVT LTD. IMPORTS FROM ITS PARENT COMPANY. HE SUGGESTED THE FOLLOWING PRODUCT CATEGORIES AS APPROPRIATE INDIAN EXPORTS TO THE USA OR ELSEWHERE: MANUFACTURES OF IRON AND STEEL; OTHER PRODUCTS, COMPLETE OR SEMI FABRICATED, IF METAL MANUFACTURE; GARMENTS. OTHER NON- TRADITIONAL EXPORT PRODUCTS PROPOSED BY ABBOTT LABORATORIES WOULD RECEIVE SERIOUS CONSIDERATION.

9. MISRA ASSURED THE COMMERCIAL COUNSELOR THE STC WAS PREPARED TO GIVE ABBOTT LABORATORIES SYMPATHETIC CONSIDERATION WITHIN THE ABOVE- MENTIONED PARAMETERS. HE ACKNOWLEDGED THAT ABBOTT LABORATORIES WAS NOT A TRADING COMPANY DEALING WITH A WIDE VARIETY OF GOODS ON A CATCH AS CATCH CAN BASIS AND PREPARED TO MOUNT TRILATERAL OR MULTILATERAL TRADING DEALS. ON THE OTHER HAND HE HAD NO ALTERNATIVE BUT TO COMPLY WITH THE EXISTING POLICIES AND SINCERELY BELIEVED HE HAD EXTENDED THE COMMERCIAL COUNSELOR AND ABBOTT LABORATORIES THE MAXIMUM POSSIBLE FLEXIBILITY PERMITTED HIM.

10. THE EMBASSY HAS GIVEN A BRIEF VERBAL SUMMARY OF THE ABOVE TO BERNARD SEMLER. IT WILL PROVIDE HIM WITH A WRITTEN REPORT OF THE COMMERCIAL COUNSELORS CONVERSATION WITH MISRA. MOYNIHAN

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 30 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE03667
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730344/aaaainuz.tel
Line Count: 156
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 73 STATE 52234, 73 NEW DELHI 3574
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 04 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04-Oct-2001 by hagers>; APPROVED <07 FEB 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 980114
Subject: STATE TRADING CORPORATION (STC) PROCUREMENT POLICIES
TAGS: ETRA, IN, n/a
To: BOMBAY
CALCUTTA
MADRAS
NEA
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

